



Arkansas

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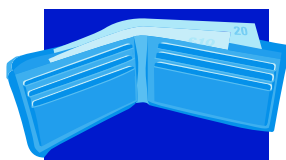
Included in this Issue

Online Service Helps Motor Carriers Renew IRP Accounts	Page 1
New Self Service Renewal Kiosk	Page 1
Business Closure Webpage	Page 2
Illegal Internet Cigarette Sales	Page 2
Weiss v. McFadden	Page 2
Reminder: Extension Checkboxes	Page 3
New Rules	Page 3
Internet Information	Page 3
Changes in Sales and Use Tax	Page 4
NEW DFA Webpage Changes	Page 4
Calendar of Due Dates	Page 4

OFFICE OF MOTOR VEHICLES

Online Service Helps Motor Carriers Renew IRP Accounts

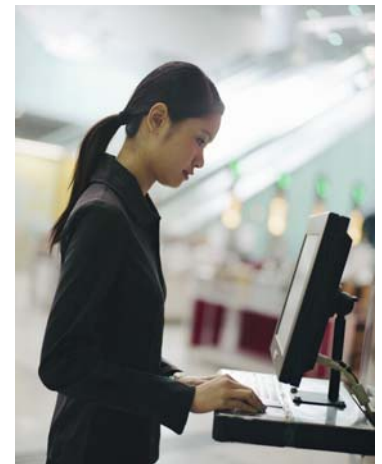
The Office of Motor Vehicles has successfully introduced new online services that allow motor carriers to renew International Registration Plan (IRP) accounts electronically through the state's Webpage at www.Arkansas.gov. The IRP renewal service provides for



online payment by electronic check, Visa, MasterCard, or Discover credit cards. Payments are processed through www.Arkansas.gov, and proof of payment can be printed immediately.

New Self-Service Renewal Kiosk

For the past 34 weeks the Office of Motor Vehicle has implemented a pilot project to test a new self-service renewal service. This service allows a taxpayer to re-new online, pay online, and walk away with his automobile or motorcycle registration and decals. A taxpayer may pay with a credit card or a check but not cash.



Over 3,072 renewals have been successfully completed with this new self-service renewal kiosk located in the lobby of the Central Little Rock Revenue Office located at 7th and Battery Streets. A second kiosk was installed in Jonesboro in July.

OFFICE OF EXCISE TAX ADMINISTRATION

Business Closure Webpage

A list of businesses that have been issued Business Closure notices can be viewed at:



http://www.arkansas.gov/dfa/excise_tax_v2/st_index.html

MISCELLANEOUS TAX SECTION

Illegal Internet Cigarette Sales

Beginning March 2005, the Miscellaneous Tax Section initiated a project to identify the illegal (tax free) purchase of cigarettes by Arkansas residents over the Internet. Approximately Two Hundred (200) Internet cigarette sellers were sent notification of their legal responsibility to provide detailed shipment information on cigarette sales made to residents of the State of Arkansas.

OFFICE OF INCOME TAX ADMINISTRATION

Weiss v. McFadden

The court's order in *McFadden vs. Weiss* set aside A.C.A. § 26-51-307 (c), which was the states prohibition against allowing cost of contribution recovery to calculate the taxable amount of employment related pension plans. The court ordered the state to make refunds to retirees who had any unrecovered cost of contribution as of January 1, 1999. The costs of contributions to be recovered were from after tax contributions to

retirement plans. The court ordered that the recovery be paid using "front end loaded" payments. This means that any cost remaining unrecovered on January 1, 1999, was to be recovered in full by offsetting the front end loaded recovery figure against previously reported annuity amounts. Therefore, the recovery of cost used to calculate the refunds is not an amount that is shown on any federal or state income tax return you have filed, or will file. Most retirees are recovering their cost in just over two years.

Federal rules for recovery of cost (Simplified Method) were used to calculate the unrecovered cost of contribution as of January 1, 1999. The information used to calculate refunds was supplied by the Office of Personnel Management, (federal retirees) or the McFadden Retiree Claim Form submitted by other retirees. These refunds were calculated pursuant to the order of the court using the following formula:

1. Annuity Commencement Date _____
2. Retirees Date of Birth _____
3. Survivor Date of Birth _____
4. Original Cost of Contribution _____
5. Calculated Recovery Period _____
6. Cost Recovered before 1/1/1999 _____
7. Remaining cost on 1/1/1999 _____
8. 1999 Cost Recovered ** _____
9. 2000 Cost Recovered ** _____
10. 2001 Cost Recovered ** _____
11. 2002 Cost Recovered ** _____

(**Note, the Cost Recovered for each year is equal to the Gross Annuity for that year, less the \$6,000 exemption. Any amount not recovered is carried forward to each next succeeding year until fully recovered.)

For tax years beginning January 1, 2003 and later, recovery of cost is allowed, in addition to the \$6,000 per year exemption. Cost Recovery is calculated using the federal Simplified Worksheet, but is only available for any cost remaining after the

McFadden cost recovery adjustment. Therefore, most retirees who retired before 2002 will not have any remaining cost, and no additional available adjustment for state purposes. **At this time, a final decision has not been reached on how the state will re-capture excess cost claimed by retirees for 2003 and 2004.** The state is still evaluating the most efficient manner to address this issue. Therefore, claimants are asked not to file any amended returns at this time.

As to the attorney's fees awarded in this case, both the source and percentage of attorney's fees were ordered by the Pulaski County Circuit Court. The fee provisions were requested by class counsel for the plaintiffs, with the approval of the named plaintiffs, who acted on behalf of all retirees who were affected by this case.



Extension returns. On the 2004 individual income tax return form, there are two checkboxes—a checkbox to indicate an automatic extension was requested and a second checkbox to indicate the approved second extension by the IRS. (NOTE: The Arkansas “check a box” extension provision is found between lines 6 and 7 on the 2004 return.) For tax years prior to 2005, the IRS had two separate extension agreements. The first was an automatic 4-month extension, and the second was a 2-month additional extension granted “for cause.” For 2005, the IRS has proposed granting a single 6-month extension. Income Tax will monitor the final outcome of this decision and adjust AR forms accordingly.



New Rules

Rule 2005-3: “Implementation of Accountability Provisions for Disbursements from the General Improvement Fund by the Department of Finance and Administration Disbursing Officer.” This Rule provides accountability for use of funds disbursed from the General Improvement Fund by requiring a certification process for the disbursements of funds and requiring documentation to support the use of funds to ensure funds are expended in accordance with appropriated acts.

Rule 2005-04: “Sales of Heavy Equipment Decals.” Act 1693 of 2005 requires the Department of Finance and Administration to administer decals to dealers and purchasers to affix to new and used heavy equipment in order to visually prove that sales or use tax has been paid on the piece of heavy equipment or that it is exempt from tax. This rule establishes the procedure used to affix the decals and clarifies the collection of sales and use tax.

Public hearings on both rules were held on August 18, 2005. For more information, please contact the Taxpayer Assistance Office at the phone number, email address, or physical address listed on the last page.

Internet Information	
Business and Personal Tax Page http://www.arkansas.gov/dfa/dfa_taxes.html	
Telephone Information	
Corporate Income Tax	(501) 682-4775
Taxpayer Assistance for Individual Income Tax	(501) 682-1100 1-800-882-9275
Automated Refund Inquiry & Tele-tax Information	(501) 682-0200 1-800-438-1992
Sales and Use Tax	501-682-1895
Taxpayer Assistance Office	501-682-7751

CHANGES IN SALES & USE TAX

Please Call (501) 682-7104 For Periodic Updates
Regarding Local Sales and Use Taxes

http://www.arkansas.gov/dfa/excise_tax_v2/st_index.html

Name	Code	Effective Date	%	Recent Action
Dallas	20.00	07/01/05	2.00	Increase
Clarendon	48-01	07/01/05	2.00	Decrease
DeQueen	66-01	07/01/05	1.00	Decrease
Mountain View	69-01	09/01/05	2.00	Increase
Springtown	04-21	07/01/05	1.00	Enacted
Taylor	14-04	07/01/05	2.00	Increase
Van Buren "City"	17-02	09/01/05	1.50	Increase



DFA's Webpage has a new design. Some of the older links still work, but here are some WebPages you may want to bookmark:

1. DFA Main Webpage:
http://www.arkansas.gov/dfa/dfa_taxes.html
2. DFA Sales and Use Tax Webpage:
http://www.arkansas.gov/dfa/excise_tax_v2/st_index.html
3. To order Sales Tax reports on line:
http://www.arkansas.gov/dfa/excise_tax_v2/et_su_st400_request.html
4. DFA Income Tax Webpage:
http://www.arkansas.gov/dfa/income_tax/tax_agency.html#2
5. DFA Withholding Webpage:
http://www.arkansas.gov/dfa/income_tax/tax_agency.html#2

Calendar of Due Dates

07/14/05—Employee monthly W/H tax, for prior month (EFT filers only);

07/15/05—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes);

07/20/05—Sales & Use Tax;

07/25/05—Motor fuel tax (except IFTA); Severance tax;

08/01/05—IFTA;

08/12/05—Employee monthly W/H tax, for prior month (EFT filers only);

08/15/05—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes);

08/22/05—Sales & Use Tax;

08/25/05—Motor fuel tax (except IFTA); Severance tax;

09/14/05—Employee monthly W/H tax, for prior month (EFT filers only); 3rd Qtr. estimated income tax (Based on calendar year filer) (EFT filers only);

09/15/05—Employee monthly W/H tax, for prior month; AR income tax returns (Cooperative association) (Based on calendar year filers; return due date 8.5 months after end of tax year); 3rd Qtr. estimated income tax (Based on calendar year filer); Miscellaneous tax (except Severance taxes);

09/20/05—Sales & Use Tax;

09/26/05—Motor fuel tax (except IFTA); Severance tax.

The **Arkansas State Revenue Tax Quarterly** is a publication of the Taxpayer Assistance Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas. To be added or deleted from the e-mail list, contact Jan Moore, phone (501) 682-7751, write to Taxpayer Assistance Office, Ledbetter Building, Room 2460, 1800 W. Seventh, P. O. Box 1272, Little Rock, Arkansas 72203-1272, or send an e-mail to jan.moore@rev.state.ar.us.